

## **EXHIBIT 4**

# Spotlight on the Housing Market in the Detroit-Warren-Livonia, Michigan MSA

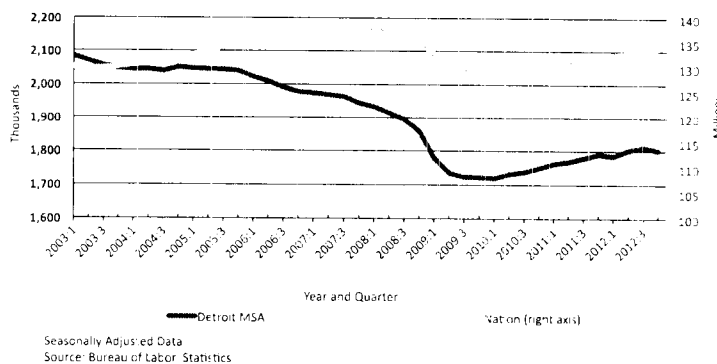
## The Obama Administration's Efforts to Stabilize the Housing Market and Help American Homeowners | January 2013

The Detroit-Warren-Livonia, Metropolitan Statistical Area (Detroit) is located in southeast Michigan and includes six counties: Wayne (including the city of Detroit), Lapeer, Livingston, Macomb, Oakland and St. Clair. As with other parts of the Midwest, the foreclosure crisis in Detroit developed earlier and differently than in other areas of the nation. As early as mid-2002, the share of distressed mortgages in Detroit was above that of the nation and rising – the rapid rise of distressed mortgages nationally did not begin until 2007. A substantial share of mortgages in the Detroit area prior to 2007 were high cost or subprime loans which default at much higher rates than other loans. By 2007, Detroit had already experienced several years of unemployment above the national average and population declines. Detroit did not experience the rapid price appreciation of the housing bubble; yet, home prices fell by a far greater percentage than for the nation. Declining property values were driven in part by excess housing construction and investor speculation, but mainly by rising defaults, spurred first by unsustainable mortgages, then by a sharp downturn in the economy and rising unemployment. Economic conditions in Detroit are improving but the local housing market remains fragile with a high concentration of distressed sales, large numbers of vacancies, and 42 percent of home mortgages underwater. However, the Administration's broad approach to stabilize the housing market has been a real help to homeowners in Detroit and surrounding cities. This addendum to the Obama Administration's Housing Scorecard provides a summary of trends and conditions in the local economy and the impact of the Administration's efforts to stabilize the housing market and help local homeowners.

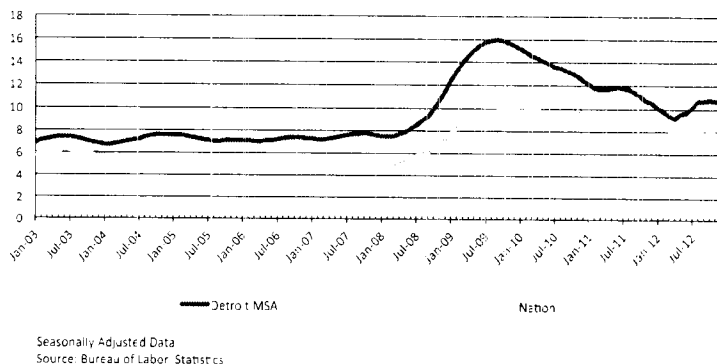
### Population Growth, Employment, and Housing Market:

With 4.3 million people according to the most recent Census, the Detroit MSA is the 12th largest in the nation. From 2000 to 2010, the population declined by an average of 15,650 people, or 0.4 percent a year. The number of people who left the area outweighed the natural population growth (births minus deaths). An average of 25,750 people moved out of the MSA each year from mid-2000 to mid-2005, with this number increasing to 44,200 people from mid-2005 to mid-2010 as the economy worsened. During the decade spanned by the Census, new housing production exceeded household growth in the Detroit MSA. Net annual housing unit growth of 0.5 percent was greater than the corresponding population and household growth rates of -0.4 percent and -0.1 percent, respectively. This excess construction, while not as great as in some parts of the nation, nevertheless contributed to an oversupply of housing and may have led to steeper price declines after 2005. Investor speculation was likely a factor in

Job Market Conditions Improving for Detroit and the Nation  
Quarterly Nonfarm Employment



Unemployment Rates Remain High  
Monthly Unemployment Rate (Percent)



#### Detroit Housing Unit Growth Outpaced Population and Household Growth During the Past Decade

Date of Census	4/1/2000	4/1/2010
Detroit Population	4,452,557	4,296,250
Annual Growth Rate	-	-0.4%
Detroit Households	1,696,943	1,682,111
Annual Growth Rate	-	-0.1%
Detroit Housing Units	1,797,185	1,886,537
Annual Growth Rate	-	0.5%

Source: Census Bureau (2000 and 2010 Decennial)

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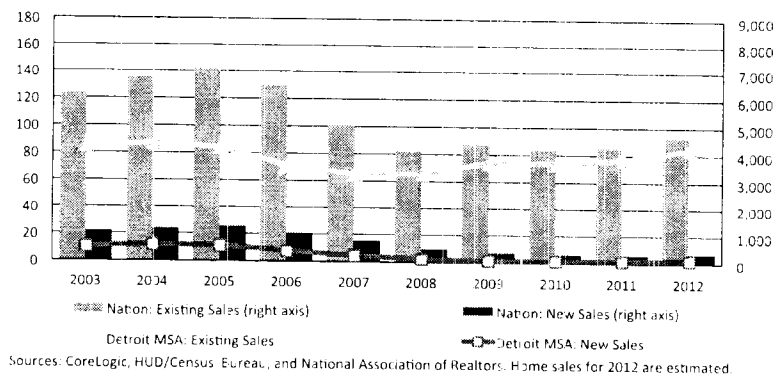
the overbuilding in the years leading up to the crisis, as a large share of Detroit area home purchases were by non-occupant investors. Specifically, from 2000 to 2006, investor home sales rose from 6.3 to 16.0 percent of total sales in the Detroit-Livonia-Dearborn, MI Metropolitan Division, while the corresponding increase for the nation was from 7.8 to 14.6 percent of sales. Subprime lending also fueled the overbuilding in Detroit, as research by the National Bureau of Economic Research shows that 29 percent of new mortgages in Detroit in 2005 were subprime loans. Approximately 90 percent of subprime mortgages experience increases in monthly payments of 30 to 50 percent within a few years according to a study by the Center for Responsible Lending, and analysis by the Michigan Council of Governments found subprime loans default at more than 7 times the rate of other mortgages. According to the Census Bureau, the number of vacant units increased by an average of 10,400 units (10.4 percent) annually in Detroit during the 2000s, more than double the national average increase of 4.4 percent during the same period.

### A modest economic recovery is underway in

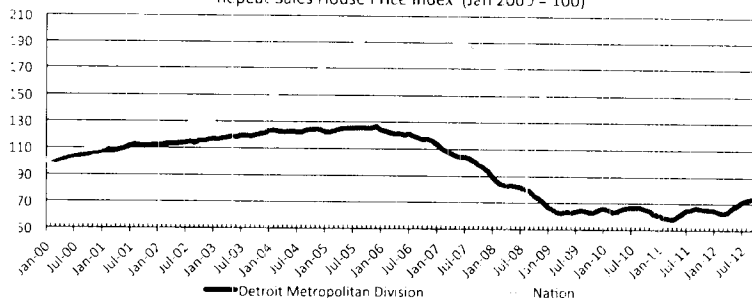
**Detroit.** The local economy had been experiencing a slight drop in employment before a steep decline began in 2006. From the fourth quarter of 2003 through 2005, nonfarm payrolls declined at an average annual rate of 6,800 or 0.3 percent. Job losses accelerated from 2006 through the first quarter of 2010, declining at an average annual rate of 75,300 jobs, or 3.7 percent. Detroit has historically been known as a national center of manufacturing, and the loss of manufacturing jobs has been significant. From the fourth quarter of 2003 through 2005, manufacturing employment declined at a rate of 5,200 jobs, or 1.7 percent annually. As with nonfarm payrolls, manufacturing employment declined more rapidly from 2006 through the first quarter of 2010 - at an annual rate of 25,800 jobs or 8.8 percent. The Detroit economy has improved since the first quarter of 2010, with payrolls increasing at an average annual rate of 29,800, or 1.7 percent through the end of 2012. Growth was led by the manufacturing and professional and business services sectors, which grew at annual rates of 6.8 percent and 5.3 percent, respectively, more than offsetting job losses in the government sector which declined by 3.8 percent. The unemployment rate for Detroit peaked at 16.0 percent in October 2009 and declined to 9.2 percent by April 2012; it has since climbed to 10.8 percent as of December 2012, which might be expected since more people seek work when there are greater job prospects. The national unemployment rate peaked in October 2009 at 10.0 percent, falling to 7.9 percent by January 2013.

**Existing home sales in the Detroit MSA have improved since 2007 and new home sales are strengthening.** Existing home sales peaked in 2004 at 86,800 units, declined to 64,900 by 2007 before recovering to 76,900 homes sold in 2011. New home

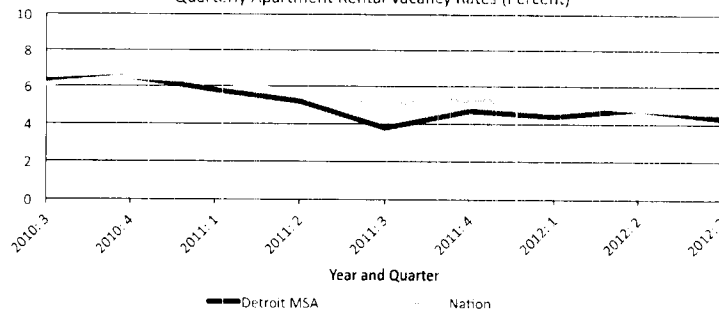
New and Existing Home Sales: Detroit Compared to the Nation  
Annual Home Sales (thousands)



Detroit Home Prices Declined Sharply,  
Although Never Experienced Housing Bubble  
Repeat-Sales House Price Index (Jan 2001 = 100)



Rental Vacancy Rates Decline Since 2010,  
Similar to the Nation  
Quarterly Apartment Rental Vacancy Rates (Percent)



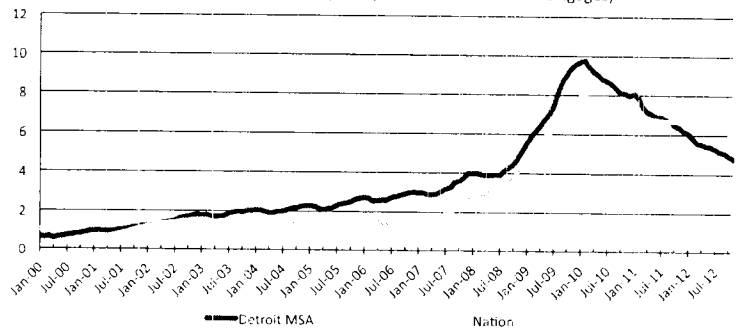
sales peaked at 12,350 in 2004 before declining sharply in 2006 and 2007 and remain at historically low levels, although sales have been strengthening since 2009. Distressed sales (involving bank-owned properties or short sales) remain high at 42 percent of existing home sales for the year, compared to a national rate of 26 percent. The prevalence of distressed sales in Detroit has contributed to the prolonged weakness in home prices as well as the low levels of new home construction and sales. The CoreLogic repeat-sales house price index (HPI) shows that home prices in the Detroit-Livonia-Dearborn, MI Metropolitan Division rose at one-fourth the pace of the rest of the nation between 2000 and early-2006. Although home prices in Detroit never experienced the bubble that the rest of the nation did, prices nonetheless fell 51 percent from their peak in December 2005 to their low in April 2009 compared to a national peak-to-low decline of 31 percent. House prices in Detroit have since bounced back by 20 percent from their 2009 lows, outpacing a 6 percent increase nationally.

**The Detroit rental market is experiencing growth in rental prices.** According to MPF Research, the Detroit apartment vacancy rate was 4.3 percent in the third quarter of 2012, up from 3.8 percent a year earlier, but still representing balanced market conditions. The national apartment vacancy rate declined from 5.1 to 4.6 percent over the same period. During the third quarter of 2012, the average apartment rent in Detroit increased by 6 percent from the previous year to \$805. National average rent levels increased by 4 percent to \$1,086 during the same period.

## Trends in Mortgage Delinquencies and Foreclosures:

Detroit homeowners continue to struggle with high rates of mortgage delinquency and foreclosure. According to LPS Applied Analytics, as of November 2012 Detroit placed 122nd out of 366 metropolitan areas ranked by share of mortgages at risk of foreclosure (90 or more days delinquent or in the foreclosure process). Through the efforts of numerous state and local entities in partnership with the federal government the foreclosure situation in Detroit has improved. LPS data show that mortgages at risk of foreclosure decreased by 23.5 percent during the last year, from 32,750 in November 2011 to 25,050 in

Share of Distressed Mortgages Higher in Detroit Than in Nation (2002 Through 2010), But Improving More Rapidly Since Early 2010  
Mortgages 90+ Days Delinquent (Percent of All Active Mortgages)



Source: CoreLogic

November 2012, compared with a national decline of 8.3 percent during the same period. CoreLogic data since 2000 indicate that the rate of mortgages at risk of foreclosure in the Detroit MSA began to rise above the national rate in mid-2002, reflecting weakening economic conditions and defaulting subprime loans. The rate of seriously delinquent mortgages followed the national trend of increasing in 2007 and 2008, when single-family foreclosures were largely driven by unaffordable loan products. Beginning in 2009, foreclosures were increasingly driven by loss of income, unemployment, and strategic defaults according to research by the Federal Reserve Bank of Chicago. A sharp spike upward in the rate of distressed mortgages occurred at this time for both Detroit and the nation as the economy worsened. After peaking in early 2010 at 9.8 percent, the share of distressed mortgages in Detroit has declined to 4.8 percent. National rates of distressed mortgages declined from a high of 7.9 percent in early 2010 to 6.0 percent currently.

Despite the reduction in distressed mortgages since 2010, the cumulative foreclosure completion rate in the Detroit MSA since April 1, 2009 is 7.0 percent of housing units, nearly triple the national rate of 2.4 percent. Foreclosure completions have been trending downward nationally and in the Detroit MSA. As of the fourth quarter of 2012, completed foreclosures in Detroit are 16 percent below the previous year, while completed foreclosures in the nation fell by 6 percent during the same period. Lenders' review of internal procedures related to the foreclosure process and backlogs in the courts for states with a judicial process have contributed to the decline in foreclosure activity. In the wake of the February 2012 National Mortgage Servicing Settlement, however, foreclosure activity is starting to pick up again, primarily in states where the process slowed dramatically in the last two years. CoreLogic reports that 42 percent of mortgages in the Detroit MSA were underwater as of the third quarter of 2012—compared to 22 percent nationally—representing additional homeowners potentially at risk.

### Foreclosure Completion Rates in the Detroit-Warren-Livonia MSA

Area	Fourth Quarter 2012		Since April 1, 2009	
	Foreclosure Completions	Foreclosure Rate	Foreclosure Completions	Foreclosure Rate
Detroit MSA	6,320	0.3%	131,400	7.0%
Nation	165,700	0.1%	165,700	2.4%

Note: Foreclosure Rates as Percent of All Housing Units; Data through December 2012 for Foreclosures since April 2009  
Source: Realty Trac and Census Bureau

## The Administration's Efforts to Stabilize the Detroit Housing Market:

The Administration's mortgage and neighborhood assistance programs – the Home Affordable Modification Program (HAMP), the Federal Housing Administration (FHA) mortgage assistance programs, the Neighborhood Stabilization Program (NSP), and the Hardest Hit Fund (HHF) program – combined with assistance from the HOPE Now Alliance of mortgage servicers and the National Mortgage Servicing Settlement have helped stabilize the

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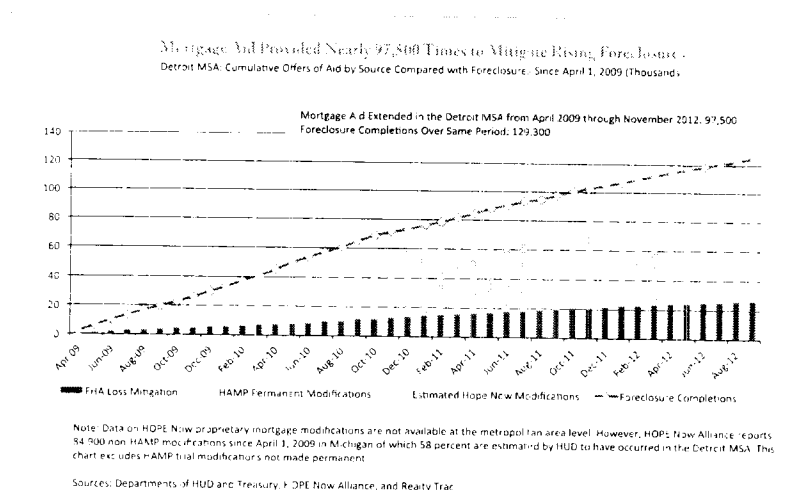
## Detroit housing market.

From the launch of the Administration's assistance programs in April 2009 through the end of November 2012, nearly 97,500 homeowners received mortgage assistance in the Detroit metropolitan area. More than 48,100 interventions were completed through the HAMP and FHA loss mitigation and early delinquency intervention programs. An estimated additional 49,400 proprietary mortgage modifications have been made through HOPE Now Alliance servicers. While some homeowners may have received help from more than one program, the number of times assistance has been provided in the Detroit MSA is more than three-fourths the number of foreclosures completed during this period (129,300). This relatively low ratio of mortgage assistance to foreclosures in Detroit since April 2009 (0.75 to 1 compared to 1.9 to 1 for the nation) is likely related to the persistently higher unemployment rates in Detroit over this time, making it harder to effect mortgage assistance. Under the landmark National Mortgage Servicing Settlement, over 10,000 Michigan homeowners had benefitted from nearly \$500 million in refinancing, short sales and completed or trial loan modifications, including principal reduction on first and second lien mortgages as of September 30, 2012. Nationwide, the settlement has provided more than \$26.1 billion in consumer relief benefits to over 300,000 families. That is in addition to the \$2.5 billion in payments to participating states and \$1.5 billion in direct payments to borrowers who were foreclosed upon between 2008 and 2011.

Given over three rounds, the **Neighborhood Stabilization Program** has invested \$7 billion nationwide to help localities work with non-profits and community development corporations to turn tens of thousands of abandoned and foreclosed homes that lower property values into homeownership opportunities and the affordable rental housing that communities need.

NSP1 funds were granted to all states and selected local governments on a formula basis under Division B, Title III of the Housing and Economic Recovery Act (HERA) of 2008; NSP2 funds authorized under the American Recovery and Reinvestment Act (the Recovery Act) of 2009 provided grants to states, local governments, nonprofits and a consortium of nonprofit entities on a competitive basis; and NSP3 funds authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 provided neighborhood stabilization grants to all states and select governments on a formula basis.

In addition to stabilizing neighborhoods and providing affordable housing, NSP funds have helped save jobs. Each home purchased, rehabilitated and sold through the NSP program is the result of the efforts of 35 to 50 local



## Detroit MSA NSP Activity (Housing Units)

	Projected	Completed
<b>NSP1 Total</b>	<b>7,967</b>	<b>6,889</b>
Clearance and demolition	4,758	5,502
Construction of new housing	254	54
Homeownership assistance to low-and moderate income	1,391	748
Rehabilitation/reconstruction of residential structures	1,564	585
<b>NSP2 Total</b>	<b>3,660</b>	<b>254</b>
Clearance and demolition	1983	249
Construction of new housing	478	-
Homeownership assistance to low-and moderate income	303	-
Rehabilitation/reconstruction of residential structures	896	5
<b>NSP3 Total</b>	<b>1,181</b>	<b>143</b>
Clearance and demolition	660	140
Construction of new housing	106	-
Homeownership assistance to low-and moderate income	42	-
Rehabilitation/reconstruction of residential structures	373	3

employees.

Overall, a total of \$140 million has been awarded to 10 NSP grantees in the Detroit MSA. Under NSP2, the Michigan State Housing Development Authority (MSHDA) received nearly \$224 million, and it awarded over \$68 million to cities in the Detroit MSA. Approximately 1,395 households have already benefited from NSP and 5,891 blighted properties have been demolished; activities funded by the program are expected to provide assistance to an additional 4,012 owner-occupied and renter households. Examples of how these funds have been put to use are provided below.

## Revitalization and Demolition in Detroit

The Michigan State Housing Development Authority (MSHDA) has the oversight responsibility for multiple funding sources from HUD and the State of Michigan. In addition to the \$224 million it received under NSP2, MSHDA received



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an allocation of \$15 million for demolition from the State Attorneys General Settlement fund, and \$4 million from the Cities of Promise initiative. Over the last several years these funds have been utilized primarily within Michigan's urban centers, the largest of which is the City of Detroit.

- Detroit has focused on revitalization of the city's core communities and demolition of severely blighted areas. Detroit has narrowly targeted investments in stable areas, to rebuild structurally sound homes and create lively communities near economic and cultural centers. The Midtown neighborhood is building on its strengths, including Wayne State University and several hospitals, which in turn generate demand for restaurants and other services.
- Detroit's problems are vast in scale, however, with approximately 70,000 foreclosed properties in the city, 65 percent of which remain vacant. NSP and State of Michigan funds have been used to demolish thousands of foreclosed, burnt out, vacant and dangerous structures within Detroit's city limits. Although the need for demolitions exceeds the funding sources available, Detroit has made extraordinary inroads, demolishing more than 6,000 structures since 2008. Detroit Mayor Dave Bing has indicated that the target is 10,000 by November 2013. At an average cost of about \$9,500 per demolition, including asbestos remediation, the city has already completed over 3,100 demolitions with NSP funds and expects to remove another 500.

### Detroit Land Bank Authority

In 2008, Mayor Bing executed an Intergovernmental Agreement between the Michigan Land Bank Fast Track Authority and the City of Detroit, creating the Detroit Land Bank Authority (DLBA). The DLBA focuses on strengthening Detroit's communities by facilitating development, stabilizing property values, promoting job creation, and creating affordable opportunities for homeownership.

- The DLBA owns properties in 12 neighborhoods and has prioritized two of them for rehabilitation and resale in the short term. The DLBA has acquired 38 single-family homes in West Boston Edison, thirteen of which are currently being rehabilitated. The DLBA has also acquired 41 properties in the East English Village neighborhood, 25 of which are scheduled to be rehabilitated with NSP1 and NSP2 funding. Unfortunately, there are insufficient subsidies available at present to rehabilitate all of DLBA's real estate holdings.
- The land bank faces difficulties from low post-renovation appraised values on many properties that tend to raise the originally estimated subsidy needed per unit (a percentage of redevelopment costs are often recovered upon sale). It is still typical for renovated properties in Detroit to receive appraised values far below the total development cost for acquisition and renovation. The DLBA credits the city for supplying low-income affordable housing over the years; however, they believe that it is now time to focus on attracting more moderate and middle income families to improve the city's tax base.

### Use of NSP2 Funds outside the City of Detroit

- The **City of Wyandotte, Michigan** was awarded a total of \$8,131,796 by the Michigan State Housing Development Authority and is using these funds to build new homes on vacant lots. To ensure the houses are energy efficient, advanced building and framing techniques and geothermal heating/cooling systems as well as Energy Star appliances are being utilized to keep monthly utility bills low.
- In **Pontiac, Michigan**, NSP2 funds were invested in Lafayette Place, a \$20 million redevelopment of an 80,000-square-foot former Sears, Roebuck & Co. department store that was built in 1929. The building – which houses 46 new residential units, a grocery store and a fitness center, was partially funded with \$5.9 million in NSP2 funds from MSHDA. The project also benefitted from New Market, Historic and Brownfield tax credits. The housing units will consist of 46 one- and two-bedroom apartment lofts with access to a green rooftop. The project is the largest construction investment in downtown Pontiac in 30 years and should prove to be a catalyst for future development in the area.

### Hardest Hit Fund in Michigan

The Michigan Homeowner Assistance Nonprofit Housing Corporation (MHA) oversees **Step Forward Michigan**, which was launched in July 2010 and funded through a \$498.5 million allocation from the Administration's **Hardest Hit Fund**. MHA was selected to oversee Step Forward Michigan as a support arm for MSHDA. Step Forward Michigan provides several programs to assist Michigan homeowners who are at high risk of default or foreclosure. These programs include: Principal Curtailment, Loan Rescue, Modification Plan, and Unemployment Mortgage Subsidy (unemployment and reinstatement assistance). Step Forward Michigan provides twelve months of unemployment assistance to qualified borrowers; they also provide up to \$30,000 to cure delinquent payments, escrow shortages, delinquent property taxes, and/or delinquent condominium association fees to avoid foreclosure; and up to \$30,000 to enable a permanent loan modification. The number of homeowners benefitting from the program has continued to increase due to strong demand. For additional information, see <https://www.stepforwardmichigan.org/>.